



## LINKED LEARNING HIGH SCHOOL OFFICE

To: Measure N Commission  
From: Lucia Moritz, Network Superintendent  
Subject: **High School Linked Learning Staff Fiscal Year 2018-2019 Measure N Audit Report Corrective Actions Update**  
Date: October 6, 2020

### OVERVIEW & OBJECTIVE

Staff have taken Measure N audit findings and recommendations with seriousness and have developed processes and procedures to increase transparency and address concerns.

Corrective action that has been implemented to date:

- Measure N Guide
- Measure N Permissible Expenses Document
- Measure N Justification Form and required justification in Measure N budgets and in spending process
- Measure N program manager role
- Charter school reimbursement process

Staff will continue to learn from current and future audit reports to continue to improve Measure N review and approval procedures.

### SUMMARY

Auditor findings, auditor recommendations, and staff corrective actions to date are as follows:

## MEASURE N 2018-19 AUDIT: RECOMMENDATIONS & CORRECTIVE ACTION

### A. Auditor Recommendation:

***Audit Procedure 2: Separately for District schools and charter schools, review the nature of the expenditures, and review source documents to ensure the expenditures were within the permissible uses of the ballot language.***

#### Finding A:

Material weakness in internal control over compliance, and non-compliance regarding District *vendor* transactions because supporting documentation was not provided for us to review.

#### Finding B:

Material weakness in internal control over compliance and non-compliance regarding District *payroll* transactions because supporting documentation was not provided for us to review.

#### Recommendation:

We recommend the District to formally identify the department and specific person responsible for approving Measure N expenses for payment. The person responsible for approving payments should also keep the supporting documentation that was the basis of the approval because that is the same documentation that will support the audit.



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**1. Staff Response - Disagree**

Staff disagree with the recommendation and believe that no corrective action is required due to district procedures existing already. Staff also acknowledge that these findings and recommendations have surfaced in previous audits.

**2. Staff Corrective Action - Implemented**

- Measure N staff has determined the process and specific person responsible for approving Measure N expenditures for both district and charter schools
- Measure N Guide provides an overview of the review and approval process for district and charter schools
- Measure N Permissible Expenses document includes status of indirect costs being non-permissible
- Measure N staff provides training on the review and approval process of Measure N expenditures at the beginning of the year
- Measure N staff and OUSD Business Services Department have met to ensure that Measure N staff and the Controller understand broader District audit procedures, the support Measure N audits will receive moving forward, and specific staff that will help the audit completion.



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**B. Auditor Recommendation:**

***Audit Procedure 3: Test if Measure N is funding supplemental activities by reviewing documents to support if District schools and charter schools used funds to provide services which they were required to make available by virtue of being a school. We also reviewed documents to determine whether the parcel tax funded services that were previously provided with another funding source.***

Finding A:

Material weakness in internal control over compliance and noncompliance.

Recommendation:

Ensuring an item of expenditure is supplemental should be part of the standard approval process before incurring an expense or entering into a contract. To that end, the document Measure N Permissible Expenses 2018-19 gives specific and written criteria that may be used to evaluate if an expense is supplemental. The document further requires that "District and school site personnel must maintain documentation that clearly demonstrates the supplementary nature of these funds."

We suggest that the District develop a checklist document that specifically reconciles a planned expenditure with the Measure Permissible Expenses document. The checklist should be maintained with the procurement file as evidence that the policy was followed and that an activity is supplemental.

**1. Staff Response - Agree**

Staff agree with this recommendation.

**2. Staff Corrective Action - Implemented**

- Duty statement template has been created for the process of determining if a position is supplemental
- A justification form template has been created for the pre-approval process of expenditures like supplies, materials, or equipment to determine if supplemental
- Permissible expenses document provides information on what is meant by supplemental as well as expenditures that are non-permissible due to supplanting issues

**3. Staff Corrective Action - To Be Determined**

- There continues to be some difficulty in implementing this corrective action when reviewing charter school budgets as we do not have access to their full budget and how expenditures have been funded previously.

**C. Auditor Recommendation**

***Audit Procedure 4: Test a sample of expenditures to ensure they were spent in accordance with the approved site plan.***

Finding A:

Material weakness in internal control over compliance and non-compliance.



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### **Recommendation:**

Similar to the recommendation for procedures number two and number three, ensuring expenditures are included on the approved site plan should be part of the approval process that occurs before an expense is obligated. The process and the specific approvals should be documented in writing so that they may be objectively followed by the person responsible for compliance, and available to support the audit.

The District implemented a new accounting information system during the fiscal year 2018-19. The information needed to support compliance may be maintained electronically in the District's accounting system. If so, a specific person should be designated as responsible for providing this information. Furthermore, that specific person should be required to participate in the audit process.

We also recommend that site plans avoid ambiguous language subject to interpretation after approval such as "consultants" or "travel and conferences" or "professional learning" or "house spirit supplies."

### **1. Staff Response - Agree**

Staff agree with the recommendation and acknowledge that this finding and recommendation has surfaced in previous audits.

### **2. Staff Corrective Action - Implemented**

- Assuming a strategic action is ambiguous, the site will have to provide a justification form to ensure the expenditure meets all 5 criteria and supports pathway development.

## **APPENDIX**



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**Measure N 2017-18 Audit: Recommendations & Corrective Action**

**A. Auditor Recommendation**

"We recommend the District to formally create an organization chart identifying the department and specific person responsible for approving Measure N expenses for payment.

We also recommend the District to officially develop a document retention policy to facilitate timely retrieval of supporting documents.

Concerning indirect costs, the District should formally determine if such costs are allowable and the administrative regulations should be amended to avoid any ambiguity."

**1. Staff Response - Agree**

Staff agree with this recommendation.

**2. Staff Corrective Action - Implemented**

- Measure N staff has determined the process and specific person responsible for approving Measure N expenditures for both district and charter schools
- Measure N Guide provides an overview of the review and approval process for district and charter schools
- Measure N Permissible Expenses document draft includes status of indirect costs being non-permissible
- Measure N staff provides training on the review and approval process of Measure N expenditures at the beginning of the year

**3. Staff Corrective Action - To be determined**

- District retention policy of supporting documents
- One on one check-ins with sites periodically throughout the year regarding Measure N expenditures

**B. Auditor Recommendation (Repeat from 2016-17 Audit Recommendations)**

"Ensuring an item of expenditure is supplemental should formally be part of the standard approval process before incurring an expense or entering into a contract. To that end, the District should develop specific and written criteria that may be used to evaluate if an expense is supplemental.

Furthermore, like the recommendation for procedures number 2, the recommendation regarding documentation retention is also applicable to this procedure."

**1. Staff Response - Agree**

Staff agree with this recommendation.

**2. Staff Corrective Action**

- Duty statement template has been created for the process of determining if a position is supplemental



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- A justification form template has been created for the pre-approval process of expenditures like supplies to determine if supplemental
- Permissible expenses document provides information on what is meant by supplemental as well as expenditures that are non-permissible due to supplanting issues

### **C. Auditor Recommendation**

“Similar to the recommendation for procedure number 2, ensuring expenditures are included on the approved site plan should be part of the approval process that occurs before an expense is obligated.

The process should be documented in writing so that it may be objectively followed by the person responsible for compliance. As a condition for approval, there should be a documented connection to the specific item on the site plan of which an intended expenditure relates.

We also recommend that site plans avoid ambiguous language subject to interpretation after approval such as “consultants” or “travel and conferences” or “professional learning” or “house spirit supplies.””

#### **1. Staff Response - Agree**

Staff agree with this recommendation overall. The recommendation regarding avoiding ambiguous language is a bit more difficult to address due to language potentially being subjective.

#### **2. Staff Corrective Action**

- Assuming a strategic action is ambiguous, the site will have to provide a justification form to ensure the expenditure meets all 5 criteria and supports pathway development.

### **D. Auditor Recommendation**

“Recommendation for improvements to internal controls:

Processing exemptions and updating the tax rolls is managed exclusively by one District employee. We recommend the District to identify a specific person responsible for overseeing the work of that employee. That person should periodically review applications to ensure the District’s control process is working as intended.”

#### **1. Staff Response - Agree**

Staff agree with this recommendation.

#### **2. Staff Corrective Action**

- Corrective action to be determined.



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**Measure N 2016-17 Audit: Recommendations & Corrective Action**

**A. Auditor Recommendation**

We recommend the District to develop written policies regarding appropriate use of Measure N funds, and document retention to support the audit, so that each site has clear and consistent guidelines to follow.

**1. Staff Corrective Action**

- Measure N Permissible Expense document was created in December 2016 and was provided to all Measure N schools
  - Document was provided again with the 2018-19 SPSA
- Measure N Permissible Expense document includes definition of supplanting vs. supplement
- Measure N team is currently finalizing revised administrative regulations to include this information
- Measure N Budget Proper Justification document was provided to schools that provides information on the proper information needed for Measure N budgets
- Measure N Guide has been finalized for all schools

**B. Auditor Recommendation**

We also recommend the District to appoint an individual responsible for overseeing the use of Measure N funds and monitoring the expenditures by approving contracts/purchase orders and personnel positions prior to incurring the expense.

**1. Staff Corrective Action**

- Creation of Program Manager of Measure N Operations

**C. Auditor Recommendation**

Similar to the recommendation for procedures number 2, ensuring an expenditure is supplemental should be part of the standard approval process prior to incurring an expense or entering into a contract.

**1. Staff Corrective Action**

- Measure N Permissible Expenses document to capture this information

**D. Auditor Recommendation**

The District should also develop written procedures so that each site has clear and consistent guidelines to follow.

**1. Staff Corrective Action**

- Measure N Guide

**Measure N 2015-16 Audit: Recommendations & Corrective Action**

<b>Measure N Commission Recommendations</b>	<b>Staff Corrective Action</b>
1. Publish and distribute written standard policies and procedures regarding the appropriate use of, including definition of	<ul style="list-style-type: none"><li>● Measure N Permissible Expense document was created in December 2016 and was provided to all Measure N schools<ul style="list-style-type: none"><li>○ Document was provided again with the 2018-19 SPSA</li></ul></li></ul>



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supplement versus supplant, and proper expense documentation of Measure N funds	<ul style="list-style-type: none"><li>• Measure N Permissible Expense document includes definition of supplanting vs. supplement</li><li>• Measure N Guide includes information regarding proper documentation</li><li>• Measure N Budget Proper Justification document was provided to schools that provides information on the proper information needed for Measure N budgets</li><li>• Measure N Permissible Expense documents provides information on allowable and non-allowable expenses, definition of supplement vs. supplant, and required justification</li></ul>
2. Provide ongoing training and support to all district and charter high school principals and business operations employees on the appropriate use of and proper expense documentation of Measure N funds	<ul style="list-style-type: none"><li>• Measure N staff provided Measure N training in the Fall of 2017 specifically to OUSD school site clerical and business managers</li><li>• Measure N staff provided Measure N trainings in the Fall of 2018</li><li>• Measure N staff held 1-1 check-in with some sites to learn about challenges and provide solutions</li></ul>
3. Designate an individual responsible for overseeing the use of all Measure N funds, and monitoring expenditure by approving personnel positions, contracts, and purchase order prior to incurring actual expense	<ul style="list-style-type: none"><li>• Creation of Program Manager of Measure N Operations</li></ul>
4. Implement the use of cost reimbursement contract agreements with each independent charter school to facilitate reasonable and necessary monitoring of charter schools' appropriate use of and proper expense documentation of Measure N funds	<ul style="list-style-type: none"><li>• All charter schools have signed an MOU that has been Commission and Board approved</li><li>• Charter schools will be on quarterly reimbursement that requires quarterly submission of quarterly expenditure reports and supporting documentation</li></ul>
5. Implement the use of a chart of accounts and financial statements that the Measure N Commission and an independent auditor can readily identify functional uses of Measure N funds by school and by administration	<ul style="list-style-type: none"><li>• Measure N staff will revise administrative regulations to articulate this requirement of use of chart of accounts and financial statements</li></ul>